

**PROGRAM NARRATIVE****190 Retirement and Investment Office****Date:** 12/23/2014**Time:** 11:59:13**Program:** Teachers Fund for Retirement**Reporting level:** 00-190-100-00-00-00-00000000**Program Performance Measures**

No performance measures have been created.

**Program Statistical Data**

The Teachers' Fund for Retirement (TFFR) has approximately 10,100 active, 2,100 inactive and 7,500 retired members. The 7,500 retired members and beneficiaries of deceased members receive monthly retirement, disability and survivor benefits from TFFR totaling over \$145 million annually. Of this amount, 85% or about \$123 million stays in North Dakota. The Fund also distributes approximately 200 refund and rollover checks per year totaling approximately \$3.1 million.

There are 220 employers (school districts, counties and other state entities) that report retirement contributions to TFFR on a monthly basis. The Fund deposits the daily collections in the Bank of North Dakota. The member and employer contributions average \$9.4 million per month or \$113 million per year.

TFFR processes an average of 375 new retirements, 750 new membership enrollments, and 190 deceased member accounts per year. Individual benefits counseling sessions are held in the office daily, across the state in larger school districts annually, and in smaller districts on a rotating basis. The schedule includes approximately 20 sites per year. Group presentations are offered as a part of the benefits counseling sessions and upon request for larger groups. Approximately 4 preretirement and/or Retirement 101 seminars are also held each year. Annually, more than 1,600 teachers participate in TFFR outreach programs and educational sessions. Staff members also attend many conventions, workshops, and meetings to provide retirement program information to members and employers.

Four newsletters per year are prepared by the staff and mailed to all retired and non-retired members. Annual statements of account are sent to non-retired members (12,200) and retired members (7,500). About 7,900 1099R tax forms are prepared and distributed by TFFR to the annuitants and members who withdraw their account balance. Member handbooks and related brochures are updated each biennium. An annual financial report is prepared each year. TFFR also provides a website containing retirement information, publications and forms.

**Explanation of Program Costs**

This request is all special funds:

1. Salary represents 12.05 FTE's responsible for administering the retirement program.
2. The operating funds are to administer the retirement program. There are no new programs in the budget. Significant object code expenditures are data processing, IT contracts, rent, postage and staff and board travel.
3. The contingency funds are needed in case of unexpected budget shortfall.

**PROGRAM NARRATIVE****190 Retirement and Investment Office****Date:** 12/23/2014**Time:** 11:59:13**Program:** Teachers Fund for Retirement**Reporting level:** 00-190-100-00-00-00-00-00000000**Program Goals and Objectives**

1. Safeguard membership data and collect retirement contributions from TFFR-covered employers on a monthly basis.
2. Pay accurate claims for retirement, disability, survivor and refund benefits in a timely manner.
3. Provide high quality service and public information to TFFR members and employers in a cost effective manner.
4. Ensure the actuarial and financial soundness of TFFR.

**REQUEST DETAIL BY PROGRAM****190 Retirement and Investment Office****Biennium: 2015-2017****Bill#: SB2022****Date:** 12/23/2014**Time:** 11:59:13

| <b>Program: Teachers Fund for Retirement</b> |  | <b>Reporting Level: 00-190-100-00-00-00-00000000</b> |                                      |  |   |
|--|--|--|--------------------------------------|--|---|
| <b>Description</b>                           | <b>Expenditures<br/>2011-2013<br/>Biennium</b> | <b>Present<br/>Budget<br/>2013-2015</b>              | <b>Budget<br/>Request<br/>Change</b> | <b>Requested Budget<br/>2015-2017<br/>Biennium</b> | <b>Optional<br/>Request<br/>2015-2017</b> |
| <b>Salaries and Wages</b>                    |  |  |                                      |  |   |
| Salaries - Permanent                         | 1,286,290                                      | 1,358,453  | 149,025                              | 1,507,478  | 0   |
| Salaries - Other                             | 0  | 0  | 28,300                               | 28,300   | 0   |
| Temporary Salaries                           | 0  | 4,000  | 0                                    | 4,000  | 0   |
| Fringe Benefits                              | 462,157  | 569,942  | 17,211                               | 587,153  | 0   |
| <b>Total</b>                                 | <b>1,748,447</b>                               | <b>1,932,395</b>                                     | <b>194,536</b>                       | <b>2,126,931</b>                                   | <b>0</b>                                  |
| <b>Salaries and Wages</b>                    |  |  |                                      |  |   |
| General Fund                                 | 0  | 0  | 0                                    | 0  | 0   |
| Federal Funds                                | 0  | 0  | 0                                    | 0  | 0   |
| Special Funds                                | 1,748,447                                      | 1,932,395  | 194,536                              | 2,126,931  | 0   |
| <b>Total</b>                                 | <b>1,748,447</b>                               | <b>1,932,395</b>                                     | <b>194,536</b>                       | <b>2,126,931</b>                                   | <b>0</b>                                  |
| <b>Accrued Leave Payments</b>                |  |  |                                      |  |   |
| Salaries - Permanent                         | 0  | 35,143   | (35,143)                             | 0  | 0   |
| <b>Total</b>                                 | <b>0</b>                                       | <b>35,143</b>  | <b>(35,143)</b>                      | <b>0</b>   | <b>0</b>                                  |
| <b>Accrued Leave Payments</b>                |  |  |                                      |  |   |
| General Fund                                 | 0  | 0  | 0                                    | 0  | 0   |
| Federal Funds                                | 0  | 0  | 0                                    | 0  | 0   |
| Special Funds                                | 0  | 35,143   | (35,143)                             | 0  | 0   |
| <b>Total</b>                                 | <b>0</b>                                       | <b>35,143</b>  | <b>(35,143)</b>                      | <b>0</b>   | <b>0</b>                                  |
| <b>Operating Expenses</b>                    |  |  |                                      |  |   |
| Travel                                       | 34,898   | 78,161   | 4,062                                | 82,223   | 0   |
| Supplies - IT Software                       | 418  | 7,017  | (2,881)                              | 4,136  | 0   |
| Supply/Material-Professional                 | 870  | 1,690  | (190)                                | 1,500  | 0   |
| Miscellaneous Supplies                       | 1,654  | 3,319  | (236)                                | 3,083  | 0   |
| Office Supplies                              | 3,032  | 6,041  | (1,311)                              | 4,730  | 0   |
| Postage                                      | 67,762   | 86,478   | 3,502                                | 89,980   | 0   |
| Printing                                     | 28,133   | 22,888   | 3,008                                | 25,896   | 0   |
| IT Equip Under \$5,000                       | 2,040  | 24,360   | 4,745                                | 29,105   | 0   |
| Other Equip Under \$5,000                    | 700  | 0  | 4,565                                | 4,565  | 0   |
| Insurance                                    | 1,463  | 952  | (24)                                 | 928  | 0   |
| Rentals/Leases - Bldg/Land                   | 106,964  | 110,614  | (6,341)                              | 104,273  | 0   |
| Repairs                                      | 519  | 690  | (56)                                 | 634  | 0   |
| IT - Data Processing                         | 123,391  | 150,865  | (1,314)                              | 149,551  | 0   |
| IT - Communications                          | 17,395   | 17,520   | (3,720)                              | 13,800   | 0   |
| IT Contractual Svcs and Rprs                 | 275,061  | 191,313  | (14,033)                             | 177,280  | 0   |

**REQUEST DETAIL BY PROGRAM**

190 Retirement and Investment Office

Bill#: SB2022

Date: 12/23/2014

Biennium: 2015-2017

Time: 11:59:13

| Program: Teachers Fund for Retirement  |                                       | Reporting Level: 00-190-100-00-00-00-00000000 |                             |   |                                  |
|--|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description                            | Expenditures<br>2011-2013<br>Biennium | Present<br>Budget<br>2013-2015                | Budget<br>Request<br>Change | Requested Budget<br>2015-2017<br>Biennium | Optional<br>Request<br>2015-2017 |
| Professional Development               | 20,163                                | 31,955  | 2,542                       | 34,497                                    | 0                                |
| Operating Fees and Services            | 17,141                                | 21,528  | (531)                       | 20,997                                    | 0                                |
| Fees - Professional Services           | 16,135                                | 18,407  | (560)                       | 17,847                                    | 0                                |
| <b>Total</b>                           | <b>717,739</b>                        | <b>773,798</b>                                | <b>(8,773)</b>              | <b>765,025</b>                            | <b>0</b>                         |
| <b>Operating Expenses</b>              |                                       |   |                             |   |                                  |
| General Fund                           | 0                                     | 0   | 0                           | 0   | 0                                |
| Federal Funds                          | 0                                     | 0   | 0                           | 0   | 0                                |
| Special Funds                          | 717,739                               | 773,798                                       | (8,773)                     | 765,025                                   | 0                                |
| <b>Total</b>                           | <b>717,739</b>                        | <b>773,798</b>                                | <b>(8,773)</b>              | <b>765,025</b>                            | <b>0</b>                         |
| <b>Contingency</b>                     |                                       |   |                             |   |                                  |
| Fees - Professional Services           | 0                                     | 20,000  | 21,000                      | 41,000                                    | 0                                |
| <b>Total</b>                           | <b>0</b>                              | <b>20,000</b>                                 | <b>21,000</b>               | <b>41,000</b>                             | <b>0</b>                         |
| <b>Contingency</b>                     |                                       |   |                             |   |                                  |
| General Fund                           | 0                                     | 0   | 0                           | 0   | 0                                |
| Federal Funds                          | 0                                     | 0   | 0                           | 0   | 0                                |
| Special Funds                          | 0                                     | 20,000  | 21,000                      | 41,000                                    | 0                                |
| <b>Total</b>                           | <b>0</b>                              | <b>20,000</b>                                 | <b>21,000</b>               | <b>41,000</b>                             | <b>0</b>                         |
| <b>Total Expenditures</b>              | <b>2,466,186</b>                      | <b>2,761,336</b>                              | <b>171,620</b>              | <b>2,932,956</b>                          | <b>0</b>                         |
| <b>Funding Sources</b>                 |                                       |   |                             |   |                                  |
| <b>Special Funds</b>                   |                                       |   |                             |   |                                  |
| 207 Retirement and Investment Fund 207 | 2,466,186                             | 2,761,336                                     | 171,620                     | 2,932,956                                 | 0                                |
| <b>Total</b>                           | <b>2,466,186</b>                      | <b>2,761,336</b>                              | <b>171,620</b>              | <b>2,932,956</b>                          | <b>0</b>                         |
| <b>Total Funding Sources</b>           | <b>2,466,186</b>                      | <b>2,761,336</b>                              | <b>171,620</b>              | <b>2,932,956</b>                          | <b>0</b>                         |
| <b>FTE Employees</b>                   | <b>12.35</b>                          | <b>12.25</b>                                  | <b>(0.20)</b>               | <b>12.05</b>                              | <b>0.00</b>                      |

**CHANGE PACKAGE DETAIL**

190 Retirement and Investment Office

Bill#: SB2022

Date: 12/23/2014

Time: 11:59:13

Biennium: 2015-2017

| Program: Teachers Fund for Retirement |          |     |              | Reporting Level: 00-190-100-00-00-00-00000000 |               |             |  |
|---------------------------------------|----------|-----|--------------|---|---------------|-------------|--|
| Description                           | Priority | FTE | General Fund | Federal Funds                                 | Special Funds | Total Funds |  |

**Base Budget Changes****Ongoing Budget Changes**

|                                     |  |               |          |          |                |                |  |
|-------------------------------------|--|---------------|----------|----------|----------------|----------------|--|
| A-A 1 Base Budget                   |  | 0.00          | 0        | 0        | 40,527         | 40,527         |  |
| Base Payroll Change                 |  | (0.20)        | 0        | 0        | 131,093        | 131,093        |  |
| <b>Total Ongoing Budget Changes</b> |  | <b>(0.20)</b> | <b>0</b> | <b>0</b> | <b>171,620</b> | <b>171,620</b> |  |
| <b>Total Base Budget Changes</b>    |  | <b>(0.20)</b> | <b>0</b> | <b>0</b> | <b>171,620</b> | <b>171,620</b> |  |

**PROGRAM NARRATIVE****190 Retirement and Investment Office****Date:** 12/23/2014**Time:** 11:59:13**Program:** Investment Program**Reporting level:** 00-190-200-00-00-00-00000000**Program Performance Measures**

No performance measures have been created.

**Program Statistical Data**

Investment and financial reporting services are provided for \$8.7 billion in assets for twelve statutory funds and \$435 million for eleven funds currently under contract.

Monthly financial statements and performance reports are prepared and distributed for each of the 23 funds. This involves monitoring and reporting activities on 37 outside money manager organizations and a total of 85 investment accounts at the SIB's master custodian bank.

Total gross costs, including administrative, money manager, custodian and consultant fees, for the year ended June 30, 2013, were \$45.3 million. All investment program costs are paid out of assets of the funds participating in the SIB's program.

**Explanation of Program Costs**

This request is all special funds:

1. Salary represents 6.95 FTE's which provide all the accounting, financial and administrative support and investment performance services for the funds under management.
2. The operating funds are needed to administer the investment program. There are no new programs in the budget. Significant expenditures are office rent, staff and board travel, data processing and educational/professional development costs.
3. The contingency funds are needed in case of unexpected budget shortfall.

**Program Goals and Objectives**

1. Prudently investing the assets entrusted to the State Investment Board (SIB) (for the funds specified in North Dakota Century Code 21-10-06), in the best financial interest of the funds' beneficiaries. Generally, this means maximizing the total rate of return on these assets, over the long-term, within prudent risk parameters and appropriate liquidity constraints.

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**PROGRAM NARRATIVE****190 Retirement and Investment Office****Date:** 12/23/2014**Time:** 11:59:13**Program:** Investment Program**Reporting level:** 00-190-200-00-00-00-00-00000000

- > 2. Pooling trust assets with like objectives, whenever practical, to provide cost-effective investment opportunities.
- >
- > 3. Leveraging the SIB's knowledge of investment techniques and contact network for the benefit of other state agencies.
- >
- > Investment services currently provided to twelve statutory funds and eleven contracted funds are:
- >
- > 1. Developing investment policies, including investment objectives and asset allocations, for the prudent investment of all trust assets under the Board's oversight, as requested by the governing boards of the various trust funds.
- >
- > 2. Developing and recommending short and long-term investment strategies in line with the investment objectives and liquidity requirements of the various funds.
- >
- > 3. Monitoring, auditing and evaluating the performance of money managers, master custodian, and other agents, and recommending changes as needed to best meet the investment objectives of the various trust funds.
- >
- > 4. Providing monthly financial statements and performance reports.
- >
- > 5. Auditing/reviewing manager data to ensure consistency with master custodian reports.
- >
- > 6. Semiannual newsletter to over 57,000 PERS and TFFR members.
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**REQUEST DETAIL BY PROGRAM****190 Retirement and Investment Office****Bill#: SB2022****Date:** 12/23/2014**Time:** 11:59:13**Biennium: 2015-2017**

| <b>Program:</b> Investment Program |  | <b>Reporting Level:</b> 00-190-200-00-00-00-00000000 |                                      |  |   |
|------------------------------------|--|--|--------------------------------------|--|---|
| <b>Description</b>                 | <b>Expenditures<br/>2011-2013<br/>Biennium</b> | <b>Present<br/>Budget<br/>2013-2015</b>              | <b>Budget<br/>Request<br/>Change</b> | <b>Requested Budget<br/>2015-2017<br/>Biennium</b> | <b>Optional<br/>Request<br/>2015-2017</b> |
| <b>Salaries and Wages</b>          |  |  |                                      |  |   |
| Salaries - Permanent               | 816,200  | 1,413,302  | 108,968                              | 1,522,270  | 0   |
| Salaries - Other                   | 0  | 0  | 21,700                               | 21,700   | 0   |
| Temporary Salaries                 | 0  | 4,000  | 0                                    | 4,000  | 0   |
| Fringe Benefits                    | 239,597  | 422,807  | 26,675                               | 449,482  | 0   |
| <b>Total</b>                       | <b>1,055,797</b>                               | <b>1,840,109</b>                                     | <b>157,343</b>                       | <b>1,997,452</b>                                   | <b>0</b>                                  |
| <b>Salaries and Wages</b>          |  |  |                                      |  |   |
| General Fund                       | 0  | 0  | 0                                    | 0  | 0   |
| Federal Funds                      | 0  | 0  | 0                                    | 0  | 0   |
| Special Funds                      | 1,055,797                                      | 1,840,109  | 157,343                              | 1,997,452  | 0   |
| <b>Total</b>                       | <b>1,055,797</b>                               | <b>1,840,109</b>                                     | <b>157,343</b>                       | <b>1,997,452</b>                                   | <b>0</b>                                  |
| <b>Accrued Leave Payments</b>      |  |  |                                      |  |   |
| Salaries - Permanent               | 0  | 36,398   | (36,398)                             | 0  | 0   |
| <b>Total</b>                       | <b>0</b>                                       | <b>36,398</b>  | <b>(36,398)</b>                      | <b>0</b>   | <b>0</b>                                  |
| <b>Accrued Leave Payments</b>      |  |  |                                      |  |   |
| General Fund                       | 0  | 0  | 0                                    | 0  | 0   |
| Federal Funds                      | 0  | 0  | 0                                    | 0  | 0   |
| Special Funds                      | 0  | 36,398   | (36,398)                             | 0  | 0   |
| <b>Total</b>                       | <b>0</b>                                       | <b>36,398</b>  | <b>(36,398)</b>                      | <b>0</b>   | <b>0</b>                                  |
| <b>Operating Expenses</b>          |  |  |                                      |  |   |
| Travel                             | 18,326   | 51,950   | 3,000                                | 54,950   | 0   |
| Supplies - IT Software             | 227  | 3,753  | (1,364)                              | 2,389  | 0   |
| Supply/Material-Professional       | 3,419  | 2,310  | (810)                                | 1,500  | 0   |
| Miscellaneous Supplies             | 1,019  | 1,491  | 286                                  | 1,777  | 0   |
| Office Supplies                    | 1,275  | 2,864  | (134)                                | 2,730  | 0   |
| Postage                            | 5,829  | 6,660  | 380                                  | 7,040  | 0   |
| Printing                           | 3,412  | 3,087  | 687                                  | 3,774  | 0   |
| IT Equip Under \$5,000             | 2,503  | 10,360   | 1,825                                | 12,185   | 0   |
| Other Equip Under \$5,000          | 2,507  | 5,950  | (3,315)                              | 2,635  | 0   |
| Insurance                          | 613  | 427  | 108                                  | 535  | 0   |
| Rentals/Leases - Bldg/Land         | 48,967   | 49,022   | 10,481                               | 59,503   | 0   |
| Repairs                            | 555  | 310  | 56                                   | 366  | 0   |
| IT - Data Processing               | 17,794   | 22,822   | 3,695                                | 26,517   | 0   |
| IT - Communications                | 6,520  | 7,200  | (960)                                | 6,240  | 0   |
| IT Contractual Svcs and Rprs       | 2,896  | 2,692  | 1,030                                | 3,722  | 0   |



**REQUEST DETAIL BY PROGRAM**

190 Retirement and Investment Office

Bill#: SB2022

Date: 12/23/2014

Biennium: 2015-2017

Time: 11:59:13

| Program: Investment Program            |                                       | Reporting Level: 00-190-200-00-00-00-00000000 |                             |   |                                  |
|--|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description                            | Expenditures<br>2011-2013<br>Biennium | Present<br>Budget<br>2013-2015                | Budget<br>Request<br>Change | Requested Budget<br>2015-2017<br>Biennium | Optional<br>Request<br>2015-2017 |
| Professional Development               | 7,821                                 | 12,705  | 8,258                       | 20,963                                    | 0                                |
| Operating Fees and Services            | 36,021                                | 10,360  | 2,040                       | 12,400                                    | 0                                |
| Fees - Professional Services           | 4,955                                 | 5,563   | 1,060                       | 6,623                                     | 0                                |
| <b>Total</b>                           | <b>164,659</b>                        | <b>199,526</b>                                | <b>26,323</b>               | <b>225,849</b>                            | <b>0</b>                         |
| <b>Operating Expenses</b>              |                                       |   |                             |   |                                  |
| General Fund                           | 0                                     | 0   | 0                           | 0   | 0                                |
| Federal Funds                          | 0                                     | 0   | 0                           | 0   | 0                                |
| Special Funds                          | 164,659                               | 199,526                                       | 26,323                      | 225,849                                   | 0                                |
| <b>Total</b>                           | <b>164,659</b>                        | <b>199,526</b>                                | <b>26,323</b>               | <b>225,849</b>                            | <b>0</b>                         |
| <b>Contingency</b>                     |                                       |   |                             |   |                                  |
| Fees - Professional Services           | 48,088                                | 62,000  | (21,000)                    | 41,000                                    | 0                                |
| <b>Total</b>                           | <b>48,088</b>                         | <b>62,000</b>                                 | <b>(21,000)</b>             | <b>41,000</b>                             | <b>0</b>                         |
| <b>Contingency</b>                     |                                       |   |                             |   |                                  |
| General Fund                           | 0                                     | 0   | 0                           | 0   | 0                                |
| Federal Funds                          | 0                                     | 0   | 0                           | 0   | 0                                |
| Special Funds                          | 48,088                                | 62,000  | (21,000)                    | 41,000                                    | 0                                |
| <b>Total</b>                           | <b>48,088</b>                         | <b>62,000</b>                                 | <b>(21,000)</b>             | <b>41,000</b>                             | <b>0</b>                         |
| <b>Total Expenditures</b>              | <b>1,268,544</b>                      | <b>2,138,033</b>                              | <b>126,268</b>              | <b>2,264,301</b>                          | <b>0</b>                         |
| <b>Funding Sources</b>                 |                                       |   |                             |   |                                  |
| <b>Special Funds</b>                   |                                       |   |                             |   |                                  |
| 003 Special Fund Budget                | 0                                     | 0   | 0                           | 0   | 0                                |
| 207 Retirement and Investment Fund 207 | 1,268,544                             | 2,138,033                                     | 126,268                     | 2,264,301                                 | 0                                |
| <b>Total</b>                           | <b>1,268,544</b>                      | <b>2,138,033</b>                              | <b>126,268</b>              | <b>2,264,301</b>                          | <b>0</b>                         |
| <b>Total Funding Sources</b>           | <b>1,268,544</b>                      | <b>2,138,033</b>                              | <b>126,268</b>              | <b>2,264,301</b>                          | <b>0</b>                         |
| <b>FTE Employees</b>                   | <b>5.65</b>                           | <b>6.75</b>                                   | <b>0.20</b>                 | <b>6.95</b>                               | <b>0.00</b>                      |

**CHANGE PACKAGE DETAIL**

190 Retirement and Investment Office

Bill#: SB2022

Date: 12/23/2014

Time: 11:59:13

Biennium: 2015-2017

| Program: Investment Program |          |     |              | Reporting Level: 00-190-200-00-00-00-00000000 |               |             |  |
|-----------------------------|----------|-----|--------------|---|---------------|-------------|--|
| Description                 | Priority | FTE | General Fund | Federal Funds                                 | Special Funds | Total Funds |  |

**Base Budget Changes****Ongoing Budget Changes**

|                                     |  |             |          |          |                |                |  |
|-------------------------------------|--|-------------|----------|----------|----------------|----------------|--|
| A-A 1 Base Budget                   |  | 0.00        | 0        | 0        | 27,023         | 27,023         |  |
| Base Payroll Change                 |  | 0.20        | 0        | 0        | 99,245         | 99,245         |  |
| <b>Total Ongoing Budget Changes</b> |  | <b>0.20</b> | <b>0</b> | <b>0</b> | <b>126,268</b> | <b>126,268</b> |  |
| <b>Total Base Budget Changes</b>    |  | <b>0.20</b> | <b>0</b> | <b>0</b> | <b>126,268</b> | <b>126,268</b> |  |